

A grayscale photograph of the Tennessee State Capitol building, featuring a large portico with columns and a central dome, serving as the background for the title slide.

Tennessee Education Lottery

Estimates for Net Lottery Proceeds & After-School Funding

Fiscal Review Committee Staff
November 20, 2017

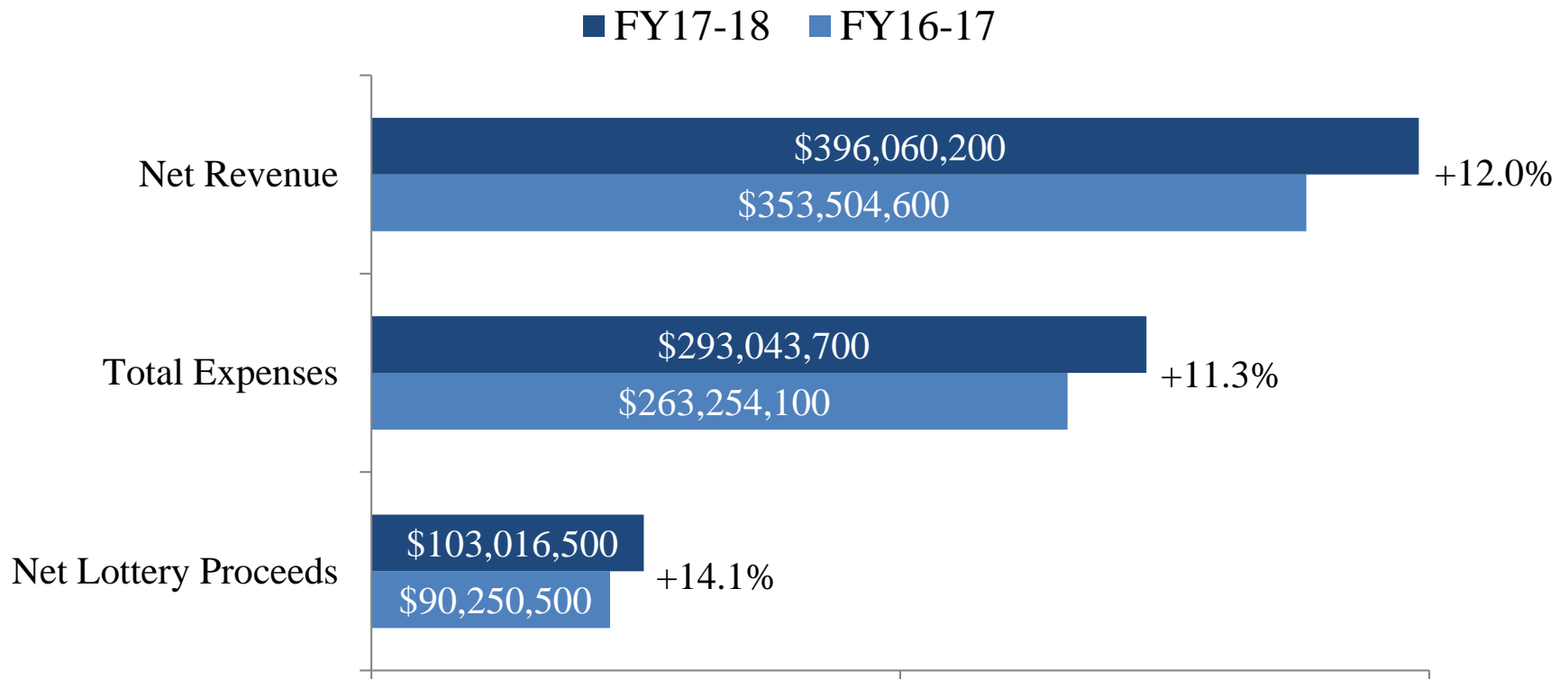


Historical Results

Category	FY13-14	FY14-15	FY15-16	FY16-17	FY16-17 Growth Rate
Net Revenue	\$1,323,572,632	\$1,372,982,180	\$1,515,551,310	\$1,500,083,029	-1.02%
Total Expenses	\$1,000,591,111	\$1,037,044,490	\$1,133,088,745	\$1,127,299,870	-0.51%
NET LOTTERY PROCEEDS	\$322,981,521	\$335,937,690	\$382,462,565	\$372,783,159	-2.53%
After-School Funding	\$14,290,845	\$11,847,864	\$11,586,227	\$13,914,882	20.10%
Total State Proceeds	\$337,272,366	\$347,785,554	\$394,048,792	\$386,698,041	-1.86%

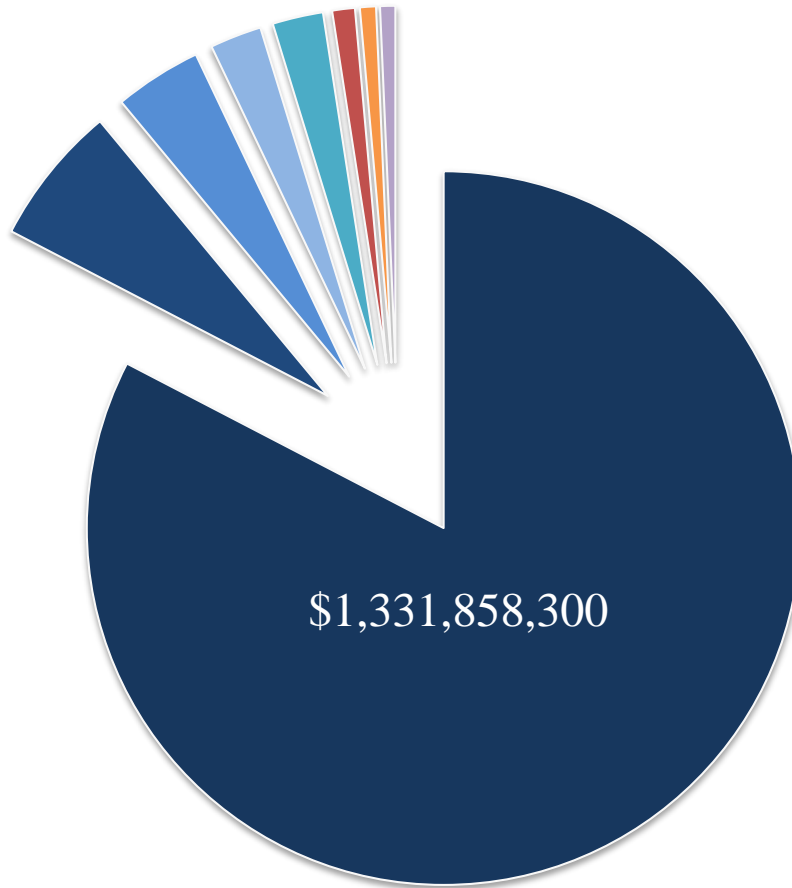


Year-to-Date (Q1)





Ticket Sales Composition



- Instant Ticket Sales (82.6%)
- Powerball (6.3%)
- Cash 3 (4.0%)
- Cash 4 (2.3%)
- Mega Millions (2.3%)
- Tennessee Cash (1.0%)
- Hot Lotto (0.7%)
- Cash 4 Life (0.7%)

FY16-17 Gross Ticket Sales: \$1,611,904,500

Instant Games



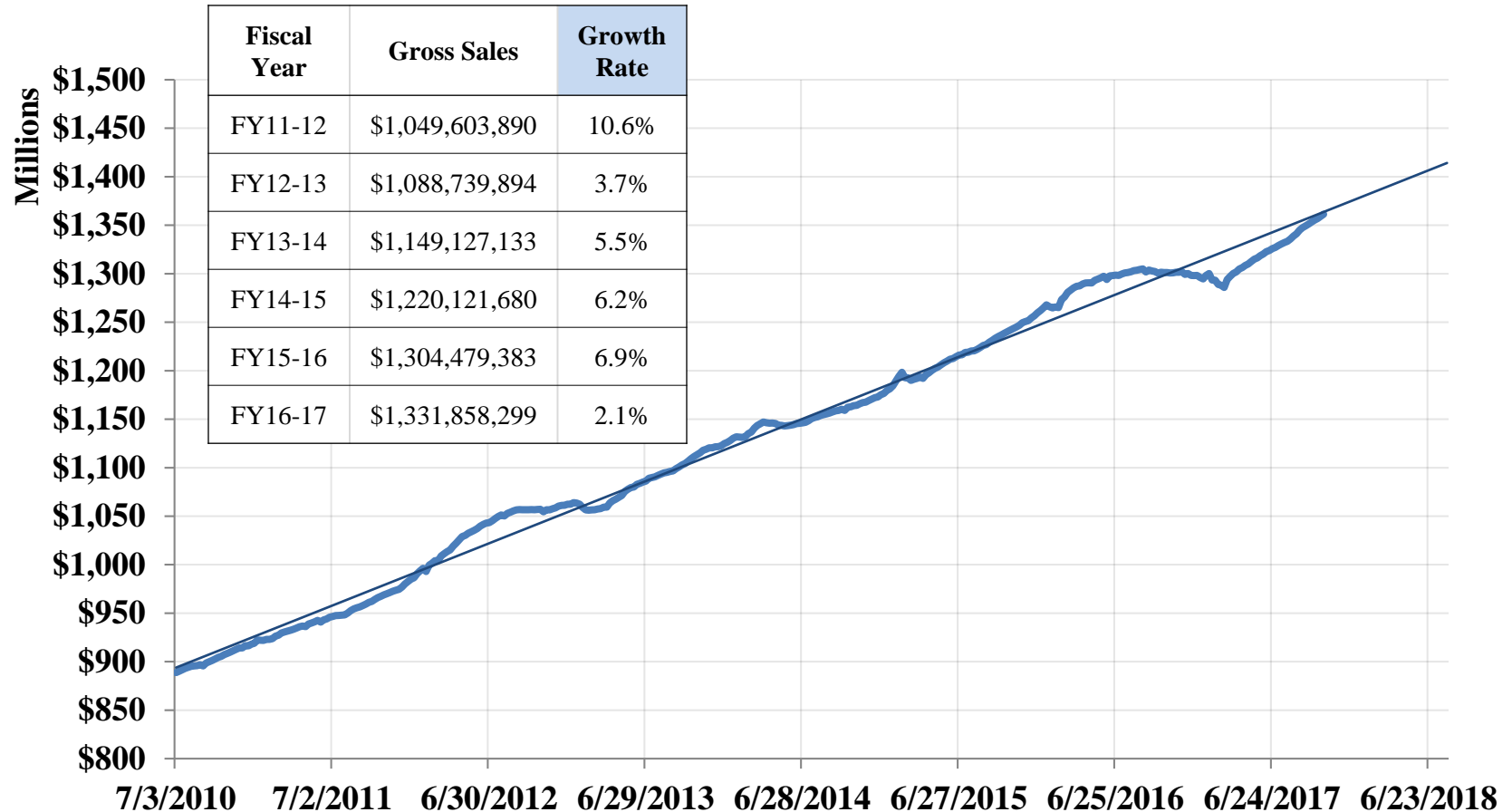


Instant Games

Price Point	FY15-16 Gross Sales (Millions)	FY15-16 Percent of Instant Game Sales	FY16-17 Gross Sales (Millions)	FY16-17 Percent of Instant Game Sales	Percent Sales Growth	Dollar Growth (Millions)
\$1	\$93.8	7.2%	\$89.4	6.7%	-4.7%	-\$4.4
\$2	\$210.5	16.1%	\$201.3	15.1%	-4.4%	-\$9.2
\$3	\$106.7	8.2%	\$105.0	7.9%	-1.6%	-\$1.7
\$5	\$291.8	22.4%	\$302.2	22.7%	3.6%	\$10.4
\$10	\$265.4	20.3%	\$255.3	19.2%	-3.8%	-\$10.1
\$20	\$159.5	12.2%	\$165.8	12.4%	3.9%	\$6.3
\$25	\$126.5	9.7%	\$91.3	6.9%	-27.8%	-\$35.2
\$30	\$50.3	3.9%	\$121.7	9.1%	141.9%	\$71.4
TOTAL	\$1,304.5	100.0%	\$1,331.9	100.0%	2.1%	\$27.4



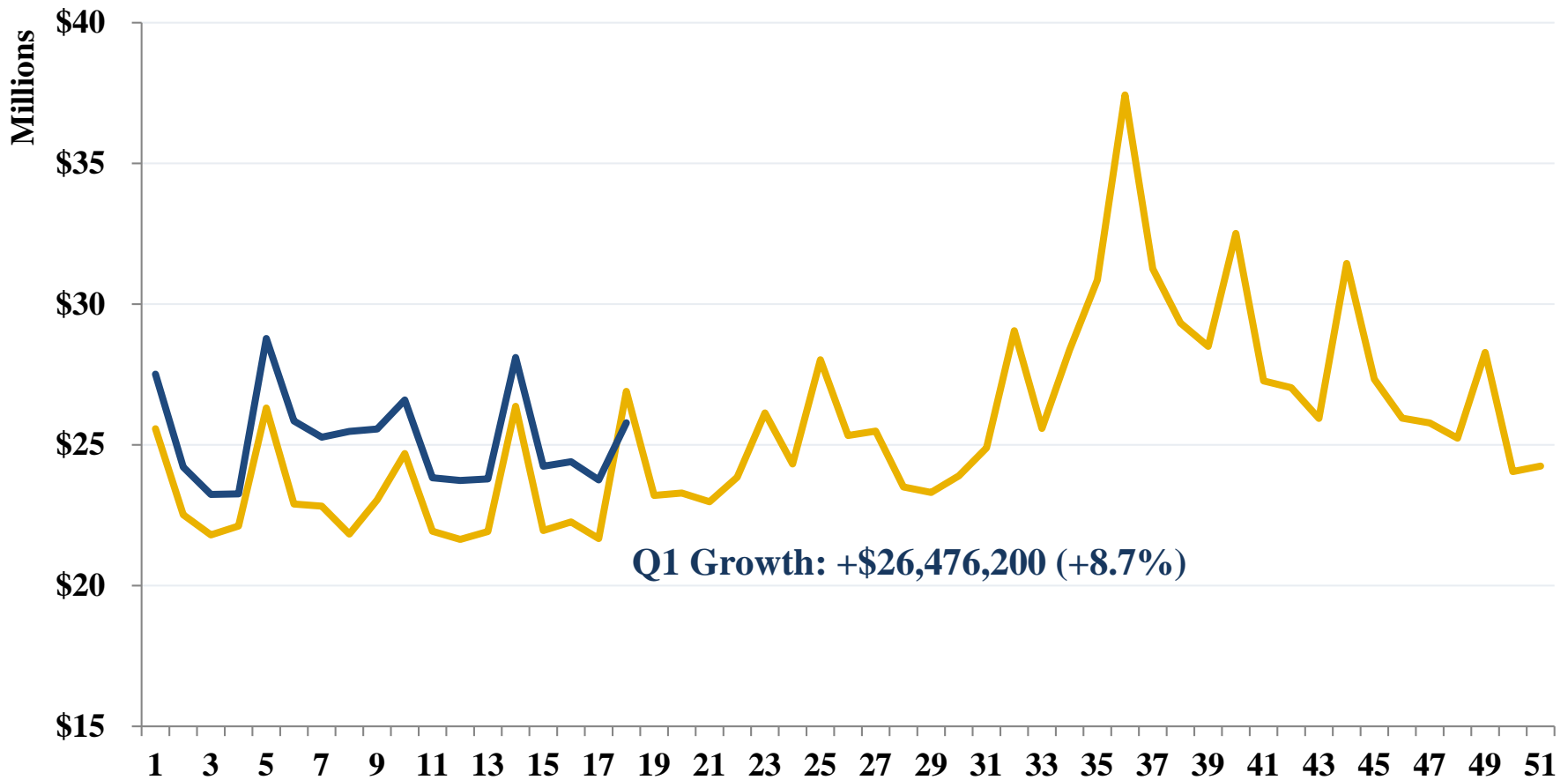
Instant Games (52-week MS)





Instant Games (Weekly Sales)

FY16-17 FY17-18





Instant Games Estimates

Category	FY15-16 Actual	FY16-17 Actual	FY17-18 Estimates	FY18-19 Estimates	Range
Instant Games (Gross Sales)	\$1,304,479,383	\$1,331,858,299	\$1,397,500,000	\$1,455,000,000	Low
			\$1,410,000,000	\$1,470,000,000	Median
			\$1,422,500,000	\$1,485,000,000	High
Tickets Provided as Prizes	\$115,092,026	\$115,902,036	\$122,001,750	\$127,021,500	Low
			\$123,093,000	\$128,331,000	Median
			\$124,184,250	\$129,640,500	High
Instant Games (Net Sales)	\$1,189,387,357	\$1,215,956,263	\$1,275,498,250	\$1,327,978,500	Low
			\$1,286,907,000	\$1,341,669,000	Median
			\$1,298,315,750	\$1,355,359,500	High

Powerball & Mega Millions





Powerball

- FY15-16 sales: \$147,366,941
- FY16-17 sales: \$102,338,912
- FY16-17 growth: **-\$45,028,029 (-30.5%)**

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$250,000,000 or More	Jackpot Winners
FY15-16	\$160,232,381	\$1,586,400,000	15	7
FY16-17	\$166,262,500	\$478,000,000	23	8



Mega Millions

- FY15-16 sales: \$37,369,086
- FY16-17 sales: \$37,009,981
- FY16-17 growth: **-\$359,105 (-1.0%)**

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$250,000,000 or More	Jackpot Winners
FY15-16	\$101,682,692	\$390,000,000	8	6
FY16-17	\$77,666,667	\$508,000,000	3	9



Mega Millions Changes

	NEW Mega Millions	OLD Mega Millions
Effective Date	October 31, 2017 Drawing	
Cost	\$2	\$1
Game Matrix	5/70 + 1/25	5/75 + 1/15
Ways to Win	9 (Jackpot + 8 Cash Prizes)	9 (Jackpot + 8 Cash Prizes)
Jackpot	\$40M Rolling No Cap (1 in 303M Odds)	\$15M Rolling No Cap (1 in 259M Odds)
Second Prize	\$1M (1 in 12.6M Odds)	\$1M (1 in 18.5M Odds)
Overall Odds	1 in 24	1 in 15



Mega Millions vs Powerball

	NEW Mega Millions	Powerball
Cost	\$2	\$2
Game Matrix	5/70 + 1/25	5/69 + 1/26
Ways to Win	9 (Jackpot + 8 Cash Prizes)	9 (Jackpot + 8 Cash Prizes)
Jackpot	\$40M Rolling No Cap (1 in 303M Odds)	\$40M Rolling No Cap (1 in 292M Odds)
Second Prize	\$1M (1 in 12.6M Odds) Up to \$5M with Megaplier	\$1M (1 in 11.7M Odds) Up to \$2M with Powerplay
Overall Odds	1 in 24	1 in 25



MM & Powerball Estimates

Game	FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
Mega Millions	\$37,369,086	\$37,009,981	\$37,500,000	\$39,000,000	Low
			\$42,000,000	\$44,000,000	Median
			\$46,500,000	\$49,000,000	High
Powerball	\$147,366,941	\$102,338,912	\$114,000,000	\$112,000,000	Low
			\$117,500,000	\$117,500,000	Median
			\$121,000,000	\$123,000,000	High
Total	\$184,736,027	\$139,348,893	\$151,500,000	\$151,000,000	Low
			\$159,500,000	\$161,500,000	Median
			\$167,500,000	\$172,000,000	High

Other Games





Cash 3 and Cash 4

○ **CASH 3**

- FY15-16 sales: \$61,561,055
- FY16-17 sales: \$63,673,960
- FY16-17 growth: +\$2,112,905 (+3.4%)

○ **CASH 4**

- FY15-16 sales: \$35,065,799
- FY16-17 sales: \$37,684,664
- FY16-17 growth: +\$2,618,865 (+7.5%)



Cash 3 and Cash 4 Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
\$96,626,854	\$101,358,624	\$101,650,000	\$104,400,000	Low
		\$103,000,000	\$106,000,000	Median
		\$104,350,000	\$107,600,000	High



Tennessee Cash

- FY15-16 sales: \$17,369,787
- FY16-17 sales: \$16,539,210
- FY16-17 growth: **-\$830,577 (-4.8%)**

Fiscal Year	Average Jackpot Cycle	Highest Jackpot Cycle	Drawings with Jackpots \$1,000,000 or More	Jackpot Winners
FY15-16	\$435,657	\$950,000	0	10
FY16-17	\$450,764	\$1,430,000	9	11



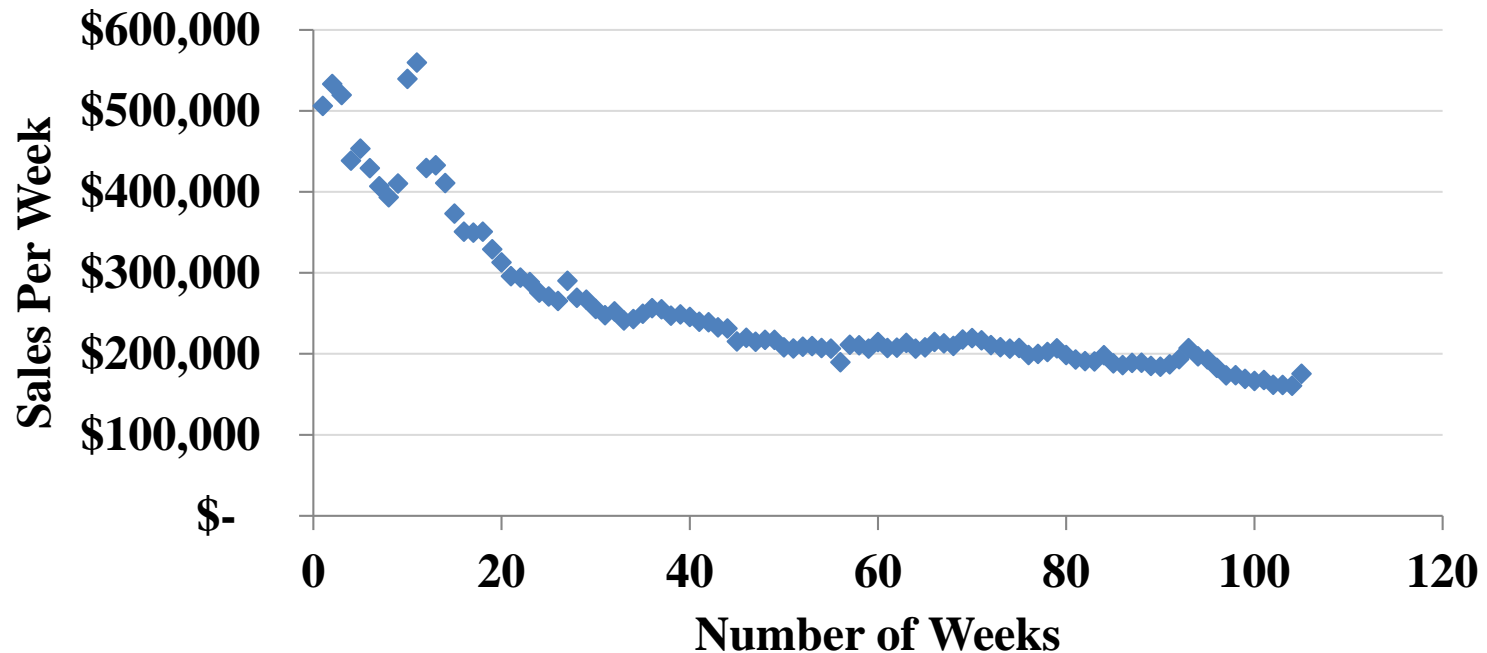
Tennessee Cash Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
\$17,369,787	\$16,539,210	\$16,000,000	\$16,500,000	Low
		\$16,500,000	\$17,000,000	Median
		\$17,000,000	\$17,500,000	High



Cash 4 Life

- FY15-16 sales: \$12,444,910
- FY16-17 sales: \$11,091,812
- FY16-17 growth: **-\$1,353,098 (-10.9%)**





Cash 4 Life Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
\$12,444,910	\$11,091,812	\$8,000,000	\$7,500,000	Low
		\$8,800,000	\$8,500,000	Median
		\$9,600,000	\$9,500,000	High



Hot Lotto

- Discontinued on October 28, 2017
 - Replaced by Lotto America
- FY16-17 sales: \$11,707,665
- FY17-18 (final) sales: **\$5,451,579**



Lotto America vs Hot Lotto

	Lotto America	Hot Lotto
Cost	\$1	\$1
Game Matrix	5/52 + 1/10	5/47 + 1/19
Ways to Win	9 (Jackpot + 8 Cash Prizes)	9 (Jackpot + 8 Cash Prizes)
Jackpot	\$2M + \$50K Min Rolls No Cap (1 in 26M Odds)	\$1M + \$50K Min Rolls No Cap (1 in 29.1M Odds)
Second Prize	\$20K (1 in 2.9M Odds)	\$30K (1 in 1.6M Odds)
Overall Odds	1 in 9.6	1 in 17
Average Weekly Sales	?	\$225K (FY16-17)

- Lotto America launched 11/12/17, with first drawing on 11/15/17
- Wednesday and Saturday drawings (same as Hot Lotto)



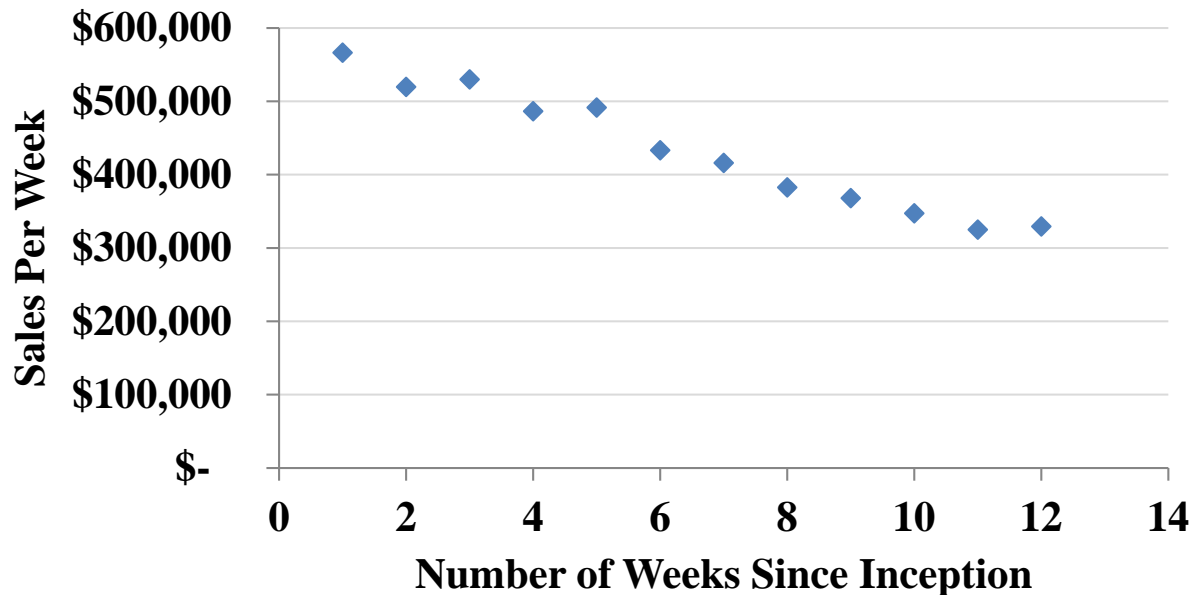
Lotto America Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
\$0	\$0	\$8,500,000	\$12,000,000	Low
		\$9,900,000	\$13,500,000	Median
		\$11,400,000	\$15,000,000	High




Keno To Go

- New Game introduced in August 2017
- Daily drawings, every 5 minutes
- Top Prize: \$100,000



TENNESSEE LOTTERY

KENO 

TO GO.

1

How many numbers (spots) do you want to play?

1 2 3 4 5 6 7 8 9 10

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

2

Pick that amount of numbers (spots) or choose Quick Pick.

1 2 3 4 5 6 7 8 9 10

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

11 12 13 14 15 16 17 18 19 20

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

21 22 23 24 25 26 27 28 29 30

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

31 32 33 34 35 36 37 38 39 40

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

41 42 43 44 45 46 47 48 49 50

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

51 52 53 54 55 56 57 58 59 60

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

61 62 63 64 65 66 67 68 69 70

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

71 72 73 74 75 76 77 78 79 80

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

3

How much do you want to play per draw?

\$1 \$2 \$3 \$4 \$5 \$10

☐ ☐ ☐ ☐ ☐ ☐

4




How many consecutive draws do you want to play?

1 2 3 4 5 10 20

☐ ☐ ☐ ☐ ☐ ☐ ☐

Base Ticket Cost: Step 3 times Step 4

You can purchase Keno To Go at any Lottery retailer, and you can watch drawings anywhere, any time on your smartphone, tablet or computer.

Download the TN Lottery App or watch online at tntollary.com.



Keno To Go Estimates

FY15-16 Actual Sales	FY16-17 Actual Sales	FY17-18 Estimates	FY18-19 Estimates	Range
\$0	\$0	\$14,000,000	\$13,000,000	Low
		\$15,500,000	\$14,000,000	Median
		\$17,000,000	\$15,000,000	High

Summary of All Estimates & Net Lottery Proceeds





FY17-18 Estimates

	FY16-17 Actuals	FY17-18 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,215,956,263	\$1,275,498,250	\$1,286,907,000	\$1,298,315,750
Cash 3 and Cash 4	\$101,358,624	\$101,650,000	\$103,000,000	\$104,350,000
PB, MM, HL/LA, TN Cash	\$167,595,768	\$172,952,000	\$181,452,000	\$189,952,000
Cash 4 Life	\$11,091,812	\$8,000,000	\$8,800,000	\$9,600,000
Keno To Go	\$0	\$14,000,000	\$15,500,000	\$17,000,000
Misc. Revenue	\$4,080,562	\$4,000,000	\$4,250,000	\$4,500,000
Net Revenue	\$1,500,083,029	\$1,584,600,250	\$1,609,809,000	\$1,635,117,750
Total Expenses	\$1,127,299,870	\$1,187,620,000	\$1,208,000,000	\$1,228,250,000
NET LOTTERY PROCEEDS	\$372,783,159	\$396,980,250	\$401,809,000	\$406,867,750
After-School Funding	\$13,914,882	\$12,600,000	\$13,600,000	\$14,600,000
Total State Proceeds	\$386,698,041	\$409,580,250	\$415,409,000	\$421,467,750



FY18-19 Estimates

	FY17-18 Median Estimate	FY18-19 Estimates		
		Low	Median	High
Instant Games (Net)	\$1,286,907,000	\$1,327,978,500	\$1,341,669,000	\$1,355,359,500
Cash 3 and Cash 4	\$103,000,000	\$104,400,000	\$106,000,000	\$107,600,000
PB, MM, HL/LA, TN Cash	\$181,452,000	\$167,500,000	\$178,500,000	\$189,500,000
Cash 4 Life	\$8,800,000	\$7,500,000	\$8,500,000	\$9,500,000
Keno To Go	\$15,500,000	\$13,000,000	\$14,000,000	\$15,000,000
Misc. Revenue	\$4,250,000	\$4,000,000	\$4,250,000	\$4,500,000
Net Revenue	\$1,609,809,000	\$1,636,378,500	\$1,666,419,000	\$1,696,459,500
Total Expenses	\$1,208,000,000	\$1,225,557,465	\$1,249,983,485	\$1,273,685,855
NET LOTTERY PROCEEDS	\$401,809,000	\$410,821,035	\$416,435,515	\$422,773,645
After-School Funding	\$13,600,000	\$13,100,000	\$14,100,000	\$15,100,000
Total State Proceeds	\$415,409,000	\$423,921,035	\$430,535,515	\$437,873,645



Subsequent Years

- Growth beyond FY18-19 is difficult to forecast due to a number of unknown factors, such as:
 - Changes to payout ratios
 - Matrix changes to jackpot based games
 - Structure changes to pari-mutuel and online games
 - Legislative action
 - Varying jackpot cycles
 - New and discontinued games
 - Changes to retailer base
 - Changes in advertising
 - Changes in economy



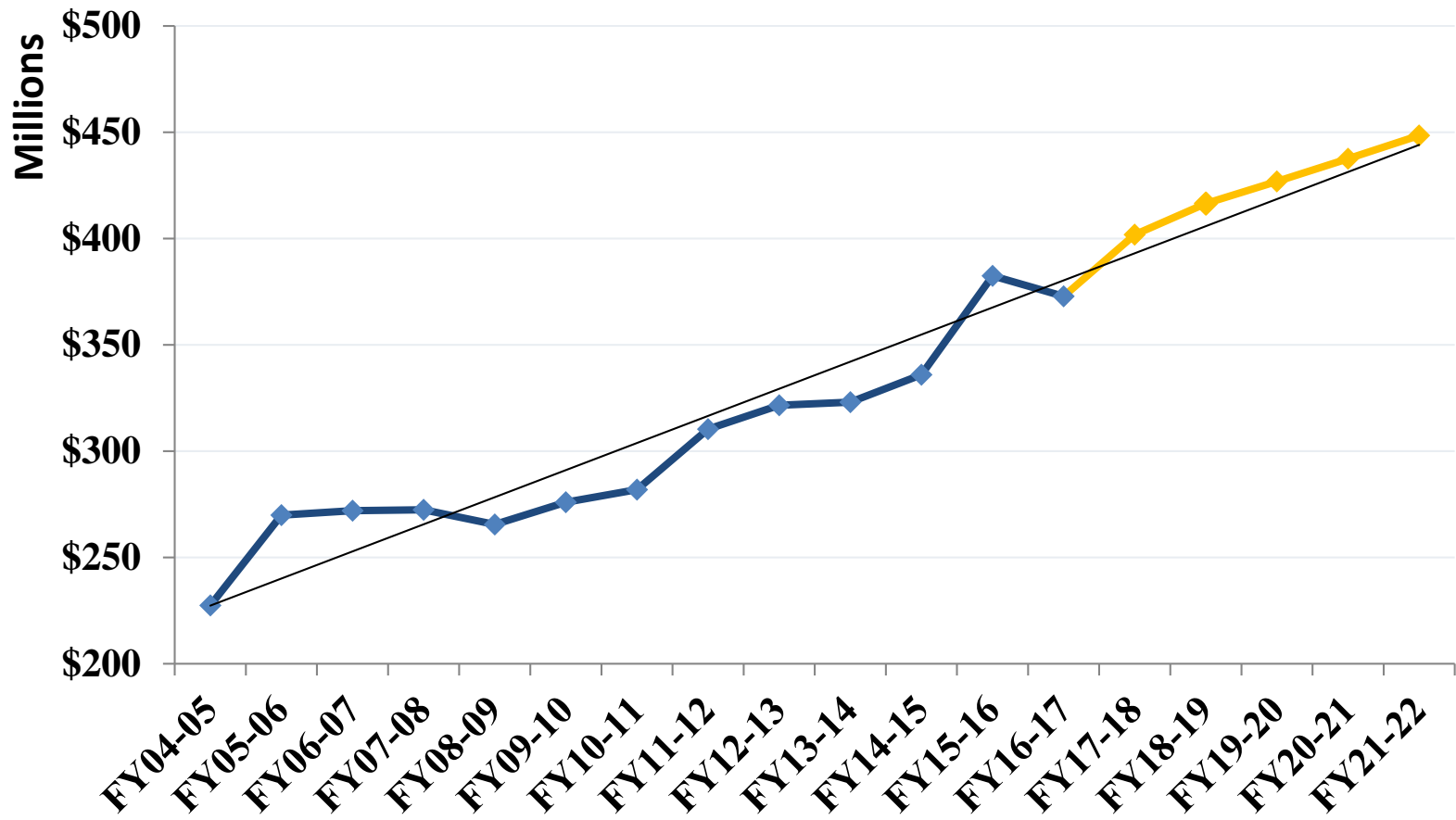
FY19-20, FY20-21, & FY21-22

- Over the last five years, the TELC's average growth rate for net lottery proceeds has been 3.9% per year. Excluding the highest and lowest years, the average growth rate has been 2.7%.
- Such growth rates for net revenue have been 4.3% and 4.0% respectively.
- FRC has assumed: 3.8% annual revenue growth and 2.5% annual proceeds growth.

Category	FY19-20	FY20-21	FY21-22
Net Revenue	\$1,729,742,900	\$1,795,473,100	\$1,863,701,100
Total Expenses	\$1,302,896,500	\$1,357,955,600	\$1,415,245,600
NET LOTTERY PROCEEDS	\$426,846,400	\$437,517,500	\$448,455,500
After-School Funding	\$14,500,000	\$15,000,000	\$15,500,000
Total State Proceeds	\$441,346,400	\$452,517,500	\$463,955,500



Net Lottery Proceeds





Thank You!

Any questions?